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**BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Approval of 2013-2014 Energy
Efficiency Programs and Budget (U39M).

Application 12-07-001

And Related Matters.

Application 12-07-002

Application 12-07-003

Application 12-07-004

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) RESPONSE TO THE
CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION
FINANCING AUTHORITY'S PETITION FOR MODIFICATION OF DECISION**

13-09-044

JANET S. COMBS
JANE LEE COLE

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-3860
Facsimile: (626) 302-7740
E-mail: Jane.Lee.Cole@sce.com

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THE STATE OF CALIFORNIA**

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I.

INTRODUCTION AND BACKGROUND

On March 9, 2015, the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) submitted a letter to the California Public Utilities Commission’s (CPUC or Commission) Energy Division Director proposing modifications to Decision (D.) 13-09-044 (Final Decision), issued on September 19, 2013. On March 13, 2015,¹ Commissioner Carla J. Peterman and Administrative Law Judge Todd O. Edmister ruled that the March 9 letter from CAEATFA would be treated as a Petition for Modification (PFM) of the Final Decision, pursuant to Rule 16.4 of the Commission’s Rules of Practice and Procedure.²

¹ A revised ruling was issued on March 25, 2015, which included a page that was missing from the CAEATFA original PFM. SCE understands that the two letters are otherwise the same. All references to CAEATFA’s PFM are references to the March 25, 2015 version. Comments from interested parties are due by April 3, 2015, and thus these comments are timely filed.

² All references herein to the “Rules” refer to the Commission’s Rules of Practice and Procedure.

Pursuant to Rule 14.3, Southern California Edison Company (SCE) hereby responds to CAEATFA's PFM. SCE appreciates the opportunity to provide comments on CAEATFA's recommendations.

Although SCE supports or does not oppose a few of CAEATFA's requests to clarify the Final Decision, SCE is concerned that several of the requested changes are significant departures from previous guidance, could delay pilot implementation, increase costs, and upset the balance struck in the Final Decision, without adequate stakeholder evaluation. These pilots were developed over a two year period, and the Commission issued the Final Decision based on numerous workshops, public comments, and expert advice. CAEATFA's PFM request does not provide sufficient explanation or factual support, as required by Rule 16.4,³ to justify the Commission making substantial changes to the Final Decision at this time. Rather, the parties should use the pilot period to collect information and evaluate whether these proposals, and others, should be implemented to improve program performance.

II.

DISCUSSION

A. Extension of Pilot Term

CAEATFA recommends that all of the pilot programs run for 24 months after the enrollment of the first loan in the last pilot to launch, instead of each pilot running for 24 months from when that pilot begins operation, as contemplated in the Assigned Commissioner's Ruling dated August 25, 2014.⁴ CAEATFA suggests this timing would

³ Rule 16.4(b) provides that any factual allegations must be supported with specific citations to the record, and allegations of new or changed facts must be supported by a declaration or an affidavit. Additionally, CAEATFA has not complied with the requirement that it provide specific wording to carry out all requested modifications to the decision.

⁴ PFM, p. 2; *see also* Assigned Commissioner's Ruling Clarifying Operation of Energy Efficiency Finance Pilot Programs, pp. 4-5, dated August 25, 2014 ("Each finance pilot shall operate for a minimum of 24 months, beginning at the point that each pilot program begins operation, and shall

best reflect the concept of the programs being "operational" for at least 24 months each and would ensure adequate time for data collection to evaluate the pilots' trends and effectiveness.⁵ The current requirement already ensures that each pilot will operate for at least 24 months from its start date, and thus CAEATFA's concern is already addressed. While SCE does not strongly oppose this proposal, there does not appear to be any clear benefit to making CAEATFA's modification at this time, particularly because it may result in certain pilots running well beyond 24 months. SCE is concerned that any lengthy extension could affect budgets that were originally approved for a 24-month pilot period.⁶

If this modification is adopted, SCE requests the Commission at least qualify the time frame by requiring that each pilot will run for 24 months of implementation from the time of the first enrolled loan in the last pilot to launch, *but not to exceed a total running time of 30 months for any single pilot*. While SCE was unable to perform precise budget analyses for the purpose of these comments, a limitation of this type would prevent any one pilot from running significantly longer than others in case there are unexpected delays in the implementation of one of the later pilots. It is prudent for the Commission to define a maximum time period that any one pilot can operate so that the investor-owned utilities (IOUs) and CAEATFA can continue to properly manage pilot budgets.

B. Flexibility of Partially Enrolled Loans

CAEATFA recommends that no limitation be placed on partial enrollment, requesting that the Commission allow projects to include the installation of other home improvements and distributed generation technologies as part of the non-enrolled (not credit-enhanced) portion of a loan/lease.⁷ SCE does not support this recommendation. After over two years of carefully

provide for support of loans made under the program for the duration of loan terms even if/when a pilot ends.”).

⁵ PFM, p. 2.

⁶ D.13-09-044, p. 97 (stating that the final decision would include application of the authorized two-year pilot period through 2015 . . .”).

⁷ PFM, p. 3.

developing the pilots, the Commission, IOUs, and other stakeholders determined that, to encourage participation in the pilots, up to 30 percent of each credit-enhanced loan could be applied to non-eligible energy efficiency measures (EEEMs). The appropriate non-EEEMs limitation was discussed in a series of public workshops and was the subject of public comments,⁸ which resulted in a balanced approach designed to encourage loan volume while also ensuring that a majority of the financed improvements were EEEMs. Allowing unlimited partial enrollment could upset that balance by resulting in loans being issued pursuant to ratepayer-funded pilot programs that consist of a majority of non-EEEMs. Although some of those measures may not be credit-enhanced with ratepayer funds (if they exceed the 30 percent of allowable non-EEEMs), allowing unlimited partial enrollment at this time will likely disrupt – rather than advance – the pilots and our ability to “test” the efficacy of the various pilots’ approaches to energy efficiency financing.

SCE agrees with CAEATFA that, if the Commission does allow flexibility for partial enrollments, such flexibility should not extend to pilots with the on-bill repayment (OBR) feature.⁹ It would be inappropriate for the IOUs to be responsible for collecting funds on behalf of financial institutions for loans, or portions of loans, that are not enrolled in the pilots. The possibility of customers defaulting on “on-bill” loans that don’t meet the pilots’ goals could unnecessarily put ratepayer funds at risk with no commensurate energy efficiency benefits.

C. Broadened Scope of EEEMs

CAEATFA recommends that the Commission explicitly allow customers to finance single, stand-alone measures that are currently only considered “EEEMs” if installed as a

⁸ Different aspects of loan eligibility/measures were discussed in the February 2012 and August 2013 workshops. Parties, including SCE, filed comments in August 2013 on specific EEEM qualifications in the Proposed Finance Decision. All pilot program implementation plans, which included specific EEEM eligibility requirements, were filed via Tier 2 Advice Letters in November and December 2013, and were open to public comment.

⁹ PFM, p. 4.

package of measures.¹⁰ For example, the Home Upgrade or Advanced Home Upgrade project provides for incentives for certain measures, such as duct replacement and attic insulation, if they are part of an approved packaged of measures. However, these measures are not eligible for rebates/incentives if the customer does not implement the entire package. SCE recommends that the Commission reject CAEATFA's proposal that these package measures be considered EEEMs on a stand-alone basis. The Final Decision defines an EEEM as a "measure approved by the Commission for a Utility's EE rebate and incentive program."¹¹ Measures approved only as part of a package, but not as stand-alone measures, are not "measures approved by the Commission" unless they are installed as part of the package of approved measures. To allow a measure to be counted as an EEEM on a stand-alone basis, even though that measure is not eligible for incentives on a stand-alone basis, contradicts the EEEM definition.

Moreover, the Commission has recognized there is legitimacy in the concept of "whole house" and "home as a system" practices related to energy efficiency upgrades. For example, the incentives paid through Home Upgrade are based on the energy savings of the entire home, which are brought about by all measures in combination with one another. For measures that are not independently approved, there is no way to adequately model energy savings on a stand-alone basis. Further, those programs approve measures as a package because the IOUs and the Commission have sought to incent the customer to implement the entire package of measures. Allowing EEEMs to include measures that have not been independently approved on a stand-alone basis could misalign incentives, confuse customers, and cause issues for contractors who have built their business models around the whole-house upgrade models.

Therefore, SCE recommends the Commission not adopt CAEATFA's recommendation to allow measures not otherwise approved on a stand-alone basis to qualify as EEEMs for the pilots because this modification is: (1) inconsistent with the definition of EEEMs in the Final

¹⁰ PFM, pp. 4-5.

¹¹ D.13-09-044, p. 30.

Decision; (2) may incentivize customers to install only a portion of the measures that the Commission has determined should be installed as a “package”; and (3) may increase the potential for inaccurate energy savings’ calculations.

D. Universal EEEMs across all IOU Territories

CAEATFA recommends the Commission consider allowing the financing pilots to operate with one uniform list of EEEMs for all IOUs.¹² SCE supports statewide consistency, and would support a longer term effort to develop one uniform list if feasible. However, for purposes of the pilots, developing one consistent list will likely delay the pilots further, due to the effort required to align details such as measure codes and detailed measure descriptions, which are generally consistent statewide, but include some variation, and thus would require “mapping.” Further, although the IOUs’ energy efficiency measures are similar, the Commission has approved slightly different EEEMs for each IOU. In order to achieve a consistent statewide EEEMs list, each IOU would need to seek approval from the CPUC for any EEEMs not currently approved as part of their portfolio.

Given all parties’ desire to launch the pilots expeditiously, SCE recommends postponing development of a joint EEEMs list at this time. Alternately, SCE recommends CAEATFA and the IOUs use the results of the pilots to evaluate the value of a statewide EEEMs list, and if needed, consider the best approach to develop such a list.

E. Expansion of Eligible Financial Products and Credit Enhancements

CAEATFA requests that the Commission allow flexibility in designing the pilot programs to serve financial products other than loans and leases, as this may support a more diverse range of market needs.¹³ While SCE does not oppose considering expansion of offerings to financial products other than loans and leases in the future, SCE urges the Commission not to

¹² PFM, p. 5.

¹³ PFM, p. 6.

expand the pilots' offerings during the pilot period. As noted above, the pilots were designed in response to numerous public workshops, party comments, and filings, and were informed by a finance consultant's report based on findings of a financial expert team developed over a period of several years.¹⁴ SCE recommends the Commission maintain the pilot design during the initial two year period, which was based on careful analysis, research, and public input, and suggests the results of the pilots be evaluated to determine ways in which future financing programs may be structured or modified.

F. Clarification Regarding the Inclusion of Government Entities as Eligible Borrowers in the Non-Residential OBR Pilot

CAEATFA requests the Commission confirm that government entities are eligible borrowers under the non-residential OBR pilot.¹⁵ SCE agrees with CAEATFA and adds that SCE does not interpret the Final Decision to prohibit the IOUs from offering OBR to government customers. The Final Decision states that the "non-residential OBR pilots are targeted to *all* non-residential utility customers,"¹⁶ which would include governmental entities.

¹⁴ For example, Administrative Law Judge's Ruling Regarding Energy Efficiency Financing, issued January 10, 2012 sought public comment on several financing proposals; parties submitted comments on January 25, 2012 and January 30, 2012. The CPUC held finance workshops on February 8-10, 2012, followed by additional public comments filed on February 22, 2012 and February 24, 2012 to seek input on financing program design. D.12-05-015, dated May 10, 2012, OP#21, directed the IOUs to hire an expert Finance Consultant to help the IOUs design the pilots and manage the stakeholder engagement process/working groups. The expert Finance Consultant Team was hired in August 2012, and developed a detailed proposal, *Recommendations for Energy Efficiency Financing Pilots*, which was presented at a public workshop on October 2, 2012, filed by SDG&E and SoCalGas on October 19, 2012, and supplemented on November 30, 2012. An ALJ Ruling issued November 16, 2012, sought public comment on the report and on an additional 20 questions on complex programmatic issues, which parties responded to in comments on December 14 and December 21, 2012. This activity continued in 2013 until the CPUC issued D.13-09-044, which authorizes the pilots, based on recommendations from the Consultant Report and other stakeholder comment.

¹⁵ PFM, p. 6.

¹⁶ D.13-09-044, p. 48 (emphasis added); *see also id.*, pp. 45-46.

G. Modification to the Process of Revising the OBR Tariffs

CAEATFA recommends extending the date by which the IOUs are required to refile the OBR tariff from the current 30-day period following CAEATFA's hiring of the master servicer to within 15-30 days of receiving requested amendments to the tariffs from CPUC Staff and CAEATFA.¹⁷ SCE supports CAEATFA's recommendation because it will allow adequate time for the IOUs to effectively consider and incorporate changes requested by the CPUC and CAEATFA.

III.

CONCLUSION

SCE appreciates the opportunity to submit these comments and looks forward to launching the pilots with the other IOUs and CAEATFA.

Respectfully submitted,

JANET S. COMBS
JANE LEE COLE

/s/ Jane Lee Cole

By: Jane Lee Cole

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-3860
Facsimile: (626) 302-7740
E-mail: Jane.Lee.Cole@sce.com

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¹⁷ PFM, p. 7.